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THE CASE FOR GOVERNMENT OUTPUT
CLASSIFICATION: WATERCRAFT, ODNR

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The primary purpose of this analysis is to develop a classification system for the full array of goods and services provided by the Division of Watercraft of the Ohio Department of Natural Resources (ODNR) and determine characteristics relevant to pricing or valuation. Such an analysis can provide the basis for developing user fees for some of the products provided to the public by ODNR and determining the economic value of other products for which user charges may not be appropriate. The ODNR is responsible for the preservation, management and wise utilization of the state's natural resources.

Scope of Government Evolution

The scope of government has not always been as substantial as it is today. In the mid-1800s, schools were financed on a family subscription basis, roads were built and maintained by citizen work crews, hospitals and welfare were largely functions of church and private charity, and water supply, sewage disposal and fire protection were largely private or voluntary neighborhood concerns. Some people in the anti-tax movement are advocating that we reconsider at least some of these earlier modes of providing for our collective needs.

The proper scope of government has been a subject of debate for a long time. John Locke said that "people subject themselves to government primarily to protect their property." Lincoln felt that "government should do for the people only what they cannot do for themselves." Adam Smith prescribed the major roles for government as: (1) defense, (2) administration of justice and (3)

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certain public works. Modern textbooks on government vary in their emphasis, but most identify the major purposes of American government as: (1) protection of individual freedom, (2) maintenance of social justice, (3) provision of a variety of public services and (4) a system of laws for the free market economy based on private property.

A useful framework has been developed by Eckstein to help determine whether an activity should be more properly in the private or public sector. This approach starts with cases of private market failure or the need for adjustment. Examples include externalities, public and merit goods, natural monopolies and areas of high risk to private investors but with high potential public pay-off.

Some citizens advocate a more active role for government than the foregoing response to private market failure. Alternative rationales include: (1) government as a source of initiative such as with the TVA, mortgage insurance program and Medicaid; (2) changing the consumption pattern including taxes on alcohol and cigarettes and provision of low cost housing, school hot lunches, auto safety standards, etc., and (3) redistribution of income through such programs as Aid to Dependent Children, unemployment compensation, and the location of various types of government projects.

A number of activities continue to be debated regarding whether they are more appropriately public, private or some combination. Examples include electric power, health insurance, commercial activities of the Defense Department, communications satellites, postal service, development of national forests, and exploration and extraction of a wide range of nonrenewable resources for energy and other uses. Decisions on the proper scope of government or an appropriate balance between the private and public sector on these as well as other activities need to be constantly reexamined in light of changing conditions

and circumstances. Furthermore, as government expenditures and taxes come under increasing scrutiny, it is more important for agencies like ODNR to link services with revenue sources.

The Problem and Rationale

Only a small part of the good and service flow value of an agency like ODNR can be directly observed in market prices. For example, food concessions at state parks and user charges at boat marinas, campgrounds, etc. can approximate but probably understate the value or willingness to pay of consumers. Taxes on marine fuel or other goods are less direct measures of value, but are an important source of revenue for ODNR. Many other goods or services may have important economic values which can only be observed indirectly or through what resource economists call extra or related, intermediate good and non-market values. For example, control of soil erosion into state park lakes may result in reduced water treatment and dredging costs, increased lakeside property values and increased expenditures by boaters, fisherman, etc. Finally, there may be a few goods/services which are considered merit or entitlement-type goods and not appropriate for allocation by price.

As Ohio population and per capita incomes increase, demand for natural resource or environmental goods/service flows such as raw material, assimilative capacity, amenities/aesthetics, and habitat and species biodiversity also increase. Physical supplies of stock or nonrenewable natural resources such as minerals, oil and gas are limited while resources such as food, forest, and fisheries are considered renewable and potentially capable of management for constant or increased physical service flows. Some substitution among these various types of resources is possible and when price or price proxies exist and are allowed to vary to reflect increased or decreased scarcity, supplies of these resources are much more likely to match the growing demand.

Recognition and implementation of these price and price proxies is important for an agency like ODNR to improve internal resource allocation. However, it is also important at the state and national level to facilitate more efficient allocation of resources among agencies. The rub is that the market mechanism to generate these prices or price proxies either does exist, can not be observed directly, or may not be sufficiently inclusive (the externality argument). Benefit cost and the key analytical subsets of travel cost, hedonic pricing and contingent valuation as well as other methods such as cost effectiveness and input/output analyses are frequently necessary to fill the gap.

Division of Watercraft, ODNR

The following outline summarizes the programs or activities of the Division of Watercraft, ODNR, under the current headings of Registration, Operations and Administration. The classification table which follows the outline is an attempt to categorize these activities or programs into more generic goods and services and identify funding sources. For each of these more generic categories, our research team made a judgment on the relative importance of the public and private good attributes designated by low (L), medium (M) and high (H) weights or values.

The underlying assumption is that the more private goods and services can be allocated by user charges and are thus easier to value directly. Alternatively, for goods or services with strong public good attributes it may be either more difficult/costly or inappropriate to levy user charges and thus valuation is more difficult. The education/enforcement and construction/operation of boat ramps activities selected for more detailed analysis in this research effort both have major public goods attributes but some potential for indirect means of evaluation. Future efforts at pricing service flows within Watercraft and other

divisions at ODNR might be more effective if guided by this classification. However, additional work needs to be done to refine and extend this classification scheme.

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**Ohio Department of Natural Resources
Division of Watercraft**

Staff: 114 total employees (94 full-time and 10 part-time)

Three “programs” within the division

I. Registration

- 1. Provides identification of each watercraft in Ohio**
 - a. Easy recognition of an individual boat**
 - b. Returning of property after flood, loss, or theft**
 - c. Assist in Recovery if a boater should fall overboard and become lost in the water**
- 2. Maintains statewide network of state agents**
- 3. Provides a by mail registration renewal process**
- 4. Provides data about registration, titling and liens to boaters, registration agents, county Clerk of Courts, multiple law enforcement agencies and banks**
- 5. Titling**
 - a. Assign serial numbers**
 - b. Processes title documents**
 - c. Performs title searches for the public**

**Ohio Department of Natural Resources
Division of Watercraft**

II. Operations

1. Education

- a. Safe boating classes
- b. Programs for boating, youth and civic clubs
- c. Media Contacts
- d. Staffed boat show exhibits
- e. Brochures

2. Law Enforcement (Investigators)

- a. Investigations (recovery of stolen equipment, criminal and administrative)
- b. Patrol
- c. Training
- d. Road time
- e. Administrative matters
- f. Vessel inspections

3. District Offices

- a. Vessel inspections
- b. Water patrol
- c. Boater assists and rescues
- d. Investigations
- e. Arrests and citations
- f. Rental facility checks
- g. Registration agent visits
- h. Training classes taught to law enforcement agencies

4. Special Programs

- a. Rescue courses
- b. Buoys and signs
- c. Awards political subdivisions grants to maintain marine enforcement

III. Administration

**CLASSIFICATION OF GOODS AND SERVICES:
ODNR WATERCRAFT DIVISION**

ODNR Goods & Services (WC)	Public Goods Aspect	Private Goods Aspect	Funding Source *
Identification of Watercraft	M	H	086, 881
Network of State Agents	L	M	086, 881
Registration by Mail	L	M	086, 881
Provides Data about Registration, Titling, Leins	L	H	086, 881
Titling	L	H	086, 881
Public Education/ Boater Education Classes	H	M	881
Brochures	H	M	086
Marine Enforcement Grants: Education	H	L	086
Marine Enforcement Grants: Equipment	H	L	086
Law Enforcement	H	M	086, 881
Investigations	L	H	086, 881
Inspections: Boats & Facilities	H	M	086, 881
Buoys & Signs	H	H	086
Capital Grants	H	M (?)	086, 880

* 086 - Waterways Safety Fund

880 - Cooperative Boat Harbor Projects Fund

881 - Federal Boating Fund